

**UMSHWATHI MUNICIPALITY**

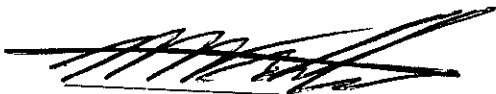
**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2010**

In terms of section 126 (1) of the Municipal Finance Management Act, I am responsible for the annual financial statements, which are set out on pages 1 to 33, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



M.V. Cebekhulu  
MUNICIPAL MANAGER

31 August 2010  
Date

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## **GENERAL INFORMATION**

**SPEAKER OF COUNCIL** : Cllr. G.S. Maseko

## **MEMBERS OF THE EXECUTIVE COMMITTEE**

Councillor	B.M. Gwala	:	Mayor, Exco. Chairperson
Councillor	S.S. Zondi	:	Deputy Mayor
Councillor	M.J. Mkhize	:	Exco Member
Councillor	T.I. Gabela	:	Exco Member

## **GRADING OF LOCAL AUTHORITY**

GRADE ONE (1)

## **AUDITORS**

AUDITOR-GENERAL SOUTH AFRICA

## **BANKERS**

FIRST NATIONAL BANK

## **REGISTERED OFFICE**

Main Road  
New Hanover  
3230

## **TELEPHONE**

033 - 5020282

## **MUNICIPAL MANAGER**

Mr. M.V. Cebekhulu

## **CHIEF FINANCIAL OFFICER**

Mr. R.M. Mani

## MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

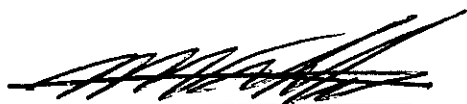
PR	:	Cllr. S.S. Zondi
PR	:	Cllr. E.W. Eggers
PR	:	Cllr. T.I. Gabela
PR	:	Cllr. V.I. Gumede
PR	:	Cllr. A.G. Solomon
PR	:	Cllr. T.A. Hlatswayo
PR	:	Cllr. T.P. Phakathi
PR	:	Cllr. S.C. Gabela
PR	:	Cllr. D.A. Ndlela
PR	:	Cllr. C.B. Khonney
PR	:	Cllr. V.M. Mncwabe
W1	:	Cllr. M.P. Dlamini
W2	:	Cllr. N.P. Nene
W3	:	Cllr. B.E. Mbatha
W4	:	Cllr. G.S. Maseko
W5	:	Cllr. X.F. Maphumulo
W6	:	Cllr. A.T. Thusi
W7	:	Cllr. R. Mungroo
W8	:	Cllr. M.J. Mkhize
W9	:	Cllr. M. Goba
W10	:	Cllr. M.M. Nkala
W11	:	Cllr. B.M. Gwala

**MAYOR** : **Councillor B.M. Gwala**

**DEPUTY MAYOR** : **Councillor S.S. Zondi**

## APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on page 12 to 30 were approved by the Municipal Manager on 31 August 2010 and presented to and approved by Council on 31 August 2010.



**MUNICIPAL MANAGER**

(Accounting Officer)

31 August 2010



**CHIEF FINANCIAL OFFICER**

31 August 2010

## Accounting Officer's Report

### 1 OPERATING RESULTS

Details of operating results, classification and object of expenditure are included in appendices C and D. A summary of the operating for the year under review is set out hereunder

	2009/2010	2008/2009
1.1 Rate and General Services		
Expenditure		
Ordinary	49,343,069	47,744,920
Capital	0	0
	<u>49,343,069</u>	<u>47,744,920</u>
Income		
Assessment Rates	10,940,607	11,167,779
Other	58,062,006	46,544,361
	<u>69,002,613</u>	<u>57,712,140</u>
Accumulated Surplus		
Surplus/(Deficit) for year	19,659,544	9,967,220
Surplus brought forward	<u>19,659,544</u>	<u>9,967,220</u>

### 2 CAPITAL EXPENDITURE AND FINANCING

	2009/2010	2008/2009
Expenditure		
Rate and General Services	19,278,284	14,176,378
Water Services	0	0
Public Improvement Fund	0	0
Housing Services	0	0
	<u>19,278,284</u>	<u>14,176,378</u>
Financing		
External Loans	0	7,553,619
Grants and Subsidies	16,840,132	6,079,459
Endowments		
Revenue Contributions to Capital Outlay	2,438,152	543,300
	<u>19,278,284</u>	<u>14,176,378</u>

### 3 REVENUE

Rates form 15.86% of the total income of the municipality, the remainder of the income is generated by grants and trading services, The Equitable Share received from National Government forms the bulk of the municipalities income amounting to R 29 627 353.

Interest received on Investments and the current amounts is R 307 918 and interest on arrear accounts amounted to R 4 513 865.

### 4 EXPENDITURE

Employee costs amounts to R21.6 million and forms 44% of total expenditure of the municipality, while repairs and maintenance amounted to R3 447 577 and forms 7% of total expenditure.

Certain votes have been overspent and were as a result of unforeseen expenditure and certain elements of inadequate budget provision.



Accounting Officer

Date 31 August 2010

**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**1. BASIS OF PRESENTATION**

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue
GRAP 12	Inventories
GRAP 13	Leases
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset

GRAP statements 4, 6, 7, 8, 10, 11, 14 and 16 have not been implemented since they do not affect the operations of the municipality.

GRAP statements 18, 21, 23, 24, 26 and 103 are not being since they are issued but not effective.

These accounting policies are consistent with those of the previous financial year except for the exemptions that applied in the previous year.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.

The principal accounting policies adopted in the preparation of these annual financial statements, which have been consistently applied. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standards GRAP.

**UMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

## **2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand

## **3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

## **4. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

## **5. RESERVES**

### **5.1 Capital Replacement Reserves (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or Investment account. The cash in the designated CRR bank account can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

### **5.2 Capitalisation Reserve**

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve instead of the accumulated surplus in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

The balance in the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus.

**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

**5.3 Government Grant Reserve**

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus equal to the amount of the annual depreciation. The purpose of this policy is to promote community equity by ensuring that future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

**5.4 Donations and Public Contribution Reserve**

When items of property, plant and equipment are financed from public contributions and donations a transfer is made from the accumulated surplus to the Donations and Public Contribution Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

**6. ASSETS**

**6.1 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets



**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

Is measured at its fair value .If the cost can not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	YEAR	OTHER	YEARS
<b>Infrastructure</b>			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Air Conditioners	5
Electricity	20	Other Vehicles	5
Housing	30	Office equipment	5
Street Lights	25	Furniture and Fitting	10
		Radios	5
		Robots	10
<b>Community</b>		Other items of plant and equipment	3
Buildings	30	Computers and Computer Software	5
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

## **6.2 INTANGIBLE ASSETS**

Computer Software is identified as Intangible Assets and is disclosed as such in the financial statements. The intangible asset is amortised over its useful life. Intangible assets are disclosed at cost less amortization in the financial statements.

## **7. FINANCIAL INSTRUMENTS**

Financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognized as an expense in the period that the impairment is identified.

**UMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Debtors have not been discounted as required by IAS 39 since the bulk of the debtors are rates debtors. Arrear accounts are charged interest on the arrear balance on a monthly basis. Only 4% of the total debtors are services debtors, namely for refuse.

## **8. INVENTORIES**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable value. The basis of determining cost is the weighted average method.

Unsold properties are valued at the lower of cost and net realizable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overheads costs.

Redundant and slow-moving inventories are identified and written down from cost to net realizable value with regards to their estimated economic or realizable values.

## **9. ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current

## **10. TRADE CREDITORS**

Trade creditors are stated at their nominal value.

## **11. BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

UMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

## **12. REVENUE RECOGNITION**

### ***12.1 Revenue from exchange transactions***

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from the sale of goods is recognized when the risk has passed to the consumer.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

### ***12.2 Revenue from non-exchange transactions***

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate Basis.

**UMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

### **13. CONDITIONAL GRANT AND RECEIPTS**

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

### **14 PROVISIONS**

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

### **15. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and with banks. Cash equivalents are short- term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

**UMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

## **16. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **17. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **18. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **19. COMPARATIVE INFORMATION**

### ***19.1 Current Year Comparatives***

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

### ***19.2 Prior Year Comparatives***

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

**uMSHWATHI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010**

	Note	2010 R	2009 R
<b>ASSETS</b>			
<b>Non - current assets</b>		84,140,270	70,902,733
Property , plant and equipment	10	83,644,557	70,356,360
Intangible Assets	11	160,922	225,291
Long term receivables	13	334,791	321,082
<b>Current assets</b>		24,325,810	25,250,134
Consumer debtors	15	17,830,542	17,962,870
Other debtors	16	2,274,573	1,663,291
Current portion of long term debtors	13	111,597	107,027
Value added tax	8	209,269	240,970
Call investment deposits	17	3,177,377	5,163,002
Bank balances and cash	30	722,452	112,974
<b>Total Assets</b>		<b>108,466,080</b>	<b>96,152,867</b>
<b>Non - current liabilities</b>		25,865,810	22,701,271
Long term liabilities	2	25,865,810	22,701,271
<b>Current liabilities</b>		12,605,546	14,580,673
Creditors	6	6,804,938	7,498,307
Unspent conditional grants and receipts	7	3,278,016	5,227,187
Bank overdraft	18	0	0
Current portion of long term liabilities	2	2,522,592	1,855,179
<b>Total Liabilities</b>		<b>38,471,355</b>	<b>37,281,944</b>
<b>Net Assets</b>		<b>69,994,724</b>	<b>58,870,923</b>
<b>NET ASSETS</b>			
<b>Net assets</b>		69,994,724	58,870,923
Housing Development Fund	1	2,921,274	2,993,657
Capital Revaluation Reserve		6,202,123	6,202,123
Accumulated surplus		60,871,327	49,675,143
		<b>69,994,724</b>	<b>58,870,923</b>

**UMSHWATHI LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2010**

<b>BUDGET</b>				<b>ACTUAL</b>	
<b>2009</b>	<b>2010</b>	<b>REVENUE</b>	<b>Note</b>	<b>2010</b>	<b>2009</b>
11,979,663	10,828,796	Property rates	19	10,940,607	11,167,779
300,000	800,000	Property rates - penalties imposed and collection charges		904,997	864,349
1,000,000	1,400,000	Service charges	20	1,403,434	1,345,547
300,000	200,000	Rental of facilities and equipment		155,469	141,953
750,000	250,000	Interest earned - external investments		307,918	560,761
1,750,000	3,250,000	Interest earned - outstanding debtors		4,513,865	3,968,501
751,000	400,000	Fines		183,213	186,183
2,375,000	1,500,000	Income for agency services		1,744,592	1,614,029
26,938,000	36,459,000	Government grants and subsidies	21	31,731,643	29,477,800
1,260,000.00	171,000.00	Other income	22	276,742	355,187
		MIG Funding		16,840,132	8,030,051
<b>47,403,663</b>	<b>55,258,796</b>	<b>Total Revenue</b>		<b>69,002,612</b>	<b>57,712,140</b>
<b>EXPENDITURE</b>					
18,321,088	22,661,542	Employee related costs	23	21,605,588	17,289,728
4,125,000	4,212,600	Remuneration of Councillors	24	3,950,012	3,660,057
		Bad debts			
	150,000	Collection costs		399,203	324,874
		Amortisation of Intangible Assets		64,369	64,369
1,250,000	5,116,000	Depreciation		5,990,087	2,849,611
2,370,000	4,797,500	Repairs and maintenance		3,447,577	1,564,619
2,500,000	2,100,000	Interest paid	25	2,647,914	2,335,911
	400,000	Contracted services		253,888	1,244,547
18,787,500	15,771,000	General expenses	32.7	11,008,110	16,570,670
		Loss on disposal of property, plant and equipment		0	97,022
50,000	50,000	Contribution to Reserves		0	139,706
		Feasibility Study		0	1,603,807
<b>47,403,588</b>	<b>55,258,642</b>	<b>Total Expenditure</b>		<b>49,366,746</b>	<b>47,744,921</b>
<b>75</b>	<b>154</b>	<b>Surplus/(Deficit) for the year</b>		<b>19,635,865</b>	<b>9,967,220</b>

Refer to Appendix E .1 for explanation of variances

uMSHWATHI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

2010	Pre-GRAP Reserves and Funds R	Non-distributable Reserves R	Housing Development Fund R	Capital Replacement Reserve R	Revaluation Reserve R	Accumulated Surplus R	Total R
Balance at 30 June 2009	-	-	-	2,993,657	6,202,123	49,675,143	58,870,923
Adjust financials to agree to main ledger	-	-	-	2,993,657	-	49,675,143	58,870,923
Implementation of GRAP	-	-	-	-	-	-	-
	-	-	2,993,657	6,202,123	-	49,675,143	58,870,923
Surplus (deficit) for the year						19,635,865	19,635,865
Capital grants used to purchase PPE						(16,840,132)	(16,840,132)
Housing Development Fund transactions			(72,383)			(72,383)	(72,383)
Reversal of Water Transactions						8,400,451	8,400,451
	-	-	2,921,274	6,202,123	-	60,871,327	69,994,724



**uMSHWATHI LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 R	2009 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers,government and other		57,066,229	51,742,828
Cash paid to suppliers and employees		<u>(40,728,745)</u>	<u>(41,202,699)</u>
Cash generated from (utilised in ) operations	29	16,337,484	10,540,129
Interest received		307,918	560,761
Interest paid		<u>(2,647,914)</u>	<u>(2,335,911)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<u>13,997,488</u>	<u>8,764,979</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property,plant and equipment		(19,278,284)	(14,176,378)
Purchase of housing infrastructure			
Proceeds on disposal of property,plant and equipment		-	171,000
(Increase) decrease in investment properties			
(Increase) decrease in non - current receivables		(18,279)	(38,621)
(Increase) decrease in non - current investments			
(Increase) decrease in call investments		1,985,625	(879,449)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<u>(17,310,938)</u>	<u>(14,923,448)</u>
<b>CASH FLOWS FROM FROM FINANCING ACTIVITIES</b>			
New loans raised (repaid )/Other Capital Receipts		4,041,154	8,204,948
Increase (decrease ) in consumer deposits		(118,227)	(152,722)
Increase (decrease ) in short term loans			
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<u>3,922,927</u>	<u>8,052,226</u>
<b>NET INCREASE (DECREASE ) IN CASH AND CASH EQUIVALENTS</b>		<u>609,478</u>	<u>1,893,757</u>
Cash and cash equivalents at the beginning of the year		112,974	(1,780,783)
Cash and cash equivalents at the end of the year		<u>722,452</u>	<u>112,974</u>
		<u>609,478</u>	<u>1,893,757</u>

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
<b>1 HOUSING DEVELOPMENT FUND</b>		
Housing Development Fund		
Unappropriated Surplus		
Loans extinguished by Government on 1 April 1998	2,921,274	2,993,657
The Housing Development Fund is represented by the following assets and liabilities		
Property, plant and equipment ( see note 10 )		
Housing selling scheme loans ( see note 13 )	446,388	428,109
Housing rental and instalment debtors ( see note 15 )	1,260,562	955,618
Debtors - Department of Housing	165,332	165,332
Bank and cash	1,048,992	1,444,598
Sub - total	2,921,274	2,993,657
Creditors		
Total Housing Development Fund Assets and Liabilities	2,921,274	2,993,657
<b>2 LONG TERM LIABILITIES</b>		
Capitalised lease liability	423,646	521,526
External loans	27,964,756	24,034,924
	28,388,401	24,556,450
Less current portion transferred to current liabilities	(2,522,592)	(1,855,179)
	25,865,810	22,701,271
<b>3 NON - CURRENT PROVISIONS</b>	-	-
<b>4 CONSUMER DEPOSITS</b>	-	-
<b>5 PROVISIONS</b>	-	-
<b>6 CREDITORS</b>		
Trade creditors	376,333	4,610,748
Accrued interest - external loan	1,296,628	429,891
Staff leave	850,619	881,730
VAT provision	95,575	603,982
Payments in advance	-	641,904
Sundry loans	70,128	70,128
Retention payable	103,898	103,898
Housing	1,892,937	
Deposits other	3,304	3,304
Other creditors	2,115,514	152,722
	6,804,938	7,498,307
<b>7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
7.1 Conditional grants from other spheres of government	3,278,016	5,227,187
Total conditional grants and receipts	3,278,016	5,227,187
MIG	2,894,463	3,509,596
District: Tourism		
General Grant	58,025	58,025
MAP	-	104,280
Housing Plan	66,901	
DPLG	-	236,638
LED		
FMG	-	1,318,649
MSiG	258,627	
	3,278,016	5,227,188
<b>8 VAT</b>		
VAT refundable	209,269	240,970
VAT is payable on the receipts basis		
<b>9 SHORT TERM LOANS</b>	-	-

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**10 PROPERTY, PLANT AND EQUIPMENT**

**2010**                      **2009**

30-Jun-2010

Reconciliation of carrying value	Land and Buildings	Infra-structure	Other	Housing	Total
Carrying value at 1 July 2009					
Cost	39,530,398	34,883,434	4,746,309		79,160,141
Revaluation	5,563,446	600,029	(665,622)		5,497,853
Accumulated depreciation					
- Cost	(2,737,634)	(10,845,094)	(1,601,857)	-	(15,184,585)
- Revaluation	(1,241,195)	1,884,833	239,313		882,951
	41,115,015	26,523,202	2,718,143	-	70,356,360
Acquisitions	2,238,102	12,054,502			14,292,604
Capital under construction	1,174,143	3,811,536			4,985,680
Revaluation: Cost					-
Revaluation: Depreciation					-
Depreciation					
- based on cost	(793,432)	(4,462,320)	(734,335)	-	(5,990,087)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation					-
Accumulated depreciation					-
Carrying value at 30 JUNE 2009					
Cost	42,942,644	50,749,472	4,746,309	-	98,438,425
Revaluation	5,563,446	600,029	(665,622)		5,497,853
Accumulated depreciation					
- Cost	(3,531,066)	(15,307,414)	(2,336,192)	-	(21,174,672)
- Revaluation	(1,241,195)	1,884,833	239,313		882,951
	43,733,829	37,926,920	1,983,809	-	83,644,557
Reconciliation of carrying value	Land and Buildings	Infra-structure	Other	Housing	Total
Carrying value at 1 July 2009					
Cost	32,022,769	28,936,747	4,470,950		65,430,466
Revaluation					
Accumulated depreciation					
- Cost	(1,881,464)	(9,728,610)	(724,898)		(12,334,972)
- Revaluation					
	30,141,305	19,208,137	3,746,052	-	53,095,494
Acquisitions	3,149,426	1,183,901	722,062		5,055,389
Capital under construction	4,358,203	4,762,786			9,120,989
Revaluation: Cost	5,563,446	600,029	(844,303)		5,319,172
Revaluation: Depreciation	(1,241,195)	1,884,833	239,313		882,951
Depreciation					
- based on cost	(856,170)	(1,116,484)	(876,959)		(2,849,613)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation			(446,703)		(446,703)
Accumulated depreciation			178,681		178,681
Carrying value at 30 JUNE 2009					
Cost	39,530,398	34,883,434	4,746,309	-	79,160,141
Revaluation	5,563,446	600,029	(665,622)		5,319,172
Accumulated depreciation					
- Cost	(2,737,634)	(10,845,094)	(1,601,857)	-	(15,005,904)
- Revaluation	(1,241,195)	1,884,833	239,313		882,951
	41,115,015	26,523,202	2,718,143	-	70,356,360

Refer to Appendix B for more detail on property, plant and equipment

**Assets Under Construction:**

Electrification	3,609,503	950,859
D75 Road	-	1,209,768
Mbeka Road	-	2,032,537
D40 Road	-	290,550
P423 Road	202,034	279,072
Ndundwini Creche	-	40,623
Ntulwa Creche	-	33,663
Thusong Centre (MPCC)	-	88,664
Gujini Creche	-	264,944
Gobizembe Community Hall	-	1,106,366
Gqugquma Community Hall	-	1,685,649
Nkululeko Community Hall	-	132,522
Estezi Community Hall	150,966	1,005,772
Sports Centre	423,378	-
	<b>4,385,880</b>	<b>9,120,989</b>

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
<b>11 INTANGIBLE ASSETS</b>		
Software Licences and LAN Network		
Cost	321,844	321,844
Amortisation	(160,922)	(96,553)
	<b>160,922</b>	<b>225,291</b>

The software and network is being amortised over 5 years being its useful life

**12 INVESTMENTS**

Long term

**13 LONG TERM RECEIVABLES**

Housing loans	446,388	428,109
Less: Short term portion transferred to Sundry Debtors	(111,597)	(107,027)
	<u>334,791</u>	<u>321,082</u>

**14 INVENTORY**

**15 CONSUMER DEBTORS**

Balances at 30 June 2010

	Gross balance	Provision for doubtful debts	Net balance
Service debtors	1,189,836	904,298	285,538
Rates	16,327,194	-	16,327,194
Housing	672,579		672,579
Other	15,743,217	15,197,986	545,231
Total	<u>33,932,825</u>	<u>16,102,284</u>	<u>17,830,542</u>

Balances at 30 June 2009

Service debtors	1,060,273	812,188	248,085
Rates	12,700,111	-	12,700,111
Housing	969,554		969,554
Other	12,416,766	8,371,646	4,045,120
Total	<u>27,146,704</u>	<u>9,183,834</u>	<u>17,962,870</u>

Rates: Ageing

Current ( 0 - 30 days)	1,432,443	1,311,470
31 - 60 days	882,460	884,754
61 to 90 days	821,393	819,806
91 - 120 days	791,200	768,093
121 days and over	13,041,601	8,915,988
Total	<u>16,969,097</u>	<u>12,700,111</u>

Refuse and other : Ageing

Current ( 0 - 30 days)	1,278,502	1,030,040
31 - 60 days	550,992	676,049
61 to 90 days	518,460	670,197
91 - 120 days	497,831	538,209
121 days and over	14,759,848	11,532,098
Total	<u>17,605,631</u>	<u>14,446,593</u>
	<u>34,574,729</u>	<u>27,146,704</u>

An estimate is made of doubtful debts based on a review of all outstanding debtors at year end. Interest is charged on individual debtor accounts once they go into arrears. The current provision is considered adequate since the bulk of the Rates debtors is made up of debt owing by Government departments.

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
<b>16 OTHER DEBTORS</b>		
District Municipality	220,204	220,204
Thokazane housing	1,438,745	1,738,745
Councillors	6,395	36,752
Department of Housing	165,332	165,332
Accrued interest	90,689	
Other	353,210	149,226
Total other debtors	2,274,573	2,310,259
less: Provision for doubtful debts	-	646,968
	<u>2,274,573</u>	<u>1,663,291</u>

**17 CALL INVESTMENT DEPOSITS**

Other deposits	3,177,377	5,163,002
	<u>3,177,377</u>	<u>5,163,002</u>

Investments are 32 day and /or 90 day money market accounts. A call account is also held in which the equitable share is transferred when received. Funds are transferred from the call account as and when required.

**18 BANK,CASH AND OVERDRAFT BALANCES**

The Municipality has the following bank accounts:

Current account (Primary bank account)

First National Bank -  
Account number - 62025429232

Cash book balance at beginning of year ( overdrawn )	110,626	(1,783,128)
Cash book balance at end of year	720,106	110,626
Bank statement balance at beginning of year	127,910	361,459
Bank statement balance at end of year	717,820	127,910

**19 PROPERTY RATES**

Actual

Agricultural	3,390,099	4,166,891
Residential	2,701,466	2,163,395
Commercial	1,244,514	1,221,123
Public service infrastructure	2,977,441	3,151,130
State	627,087	465,240
Other		
Total assessment rates	<u>10,940,607</u>	<u>11,167,779</u>

Valuations

Agricultural	1,815,124,000	1,815,124,000
Residential	264,634,000	264,634,000
Commercial	161,170,000	161,170,000
Public service infrastructure	425,861,000	425,861,000
State	44,007,000	44,007,000
Other	13,353,000	13,353,000
Total property valuations	<u>2,724,149,000</u>	<u>2,724,149,000</u>

The comparative figure for the rates income has been restated to take into account the reduction in rates income after the adjustments for successful objections.

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
<b>20 SERVICE CHARGES</b>		
Refuse removal	1,403,434	1,345,547
Water, sewer and other charges	-	-
	<u>1,403,434</u>	<u>1,345,547</u>
<b>21 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	29,627,353	24,779,644
Clinic subsidy	0	0
Conditional grants utilised	2,104,340	4,698,156
	<u>31,731,693</u>	<u>29,477,800</u>
Refer Appendix F		
<b>22 OTHER INCOME</b>	<u>276,742</u>	<u>355,187</u>
Fees: Photocopies	11,729	11,997
Fees: Rates Clearance	5,012	8,319
Agency Fee (UMDM)	0	173,150
Interest: Current Account	12,459	35,946
Fees	983	11,950
Community Hall	9,537	11,441
Motor Licencing	0	1,882
Maintenance	55,530	85,315
Cemetery	8,984	15,189
Postal Service	21,817	
Sundry	150,691	
	<u>276,742</u>	<u>355,189</u>
<b>23 EMPLOYEE RELATED COSTS</b>		
Employee related costs - salaries and wages	16,794,246	13,381,056
Employee related costs - contributions to UIF, pension and medical costs	3,280,573	2,295,055
Travel, vehicle, accommodation, subsistence and other allowances	973,379	920,727
Housing benefits and allowances	28,810	34,669
Overtime payments	251,317	426,229
Performance bonus		
Skills Levy/Protective Clothing/Bargaining Council	277,264	231,992
Sub-total	<u>21,605,588</u>	<u>17,289,728</u>
Less: Employee costs allocated to Property, Plant and Equipment		
Less: Employee costs included in other expenses		
Total employee related costs	<u>21,605,588</u>	<u>17,289,728</u>
There were no loans to employees.		
Remuneration of the Municipal Manager		
Annual remuneration	550,718	491,411
Bonus		
Car allowance	120,000	120,000
Contributions to Medical and Pension Funds and UIF	99,294	88,589
	<u>770,013</u>	<u>700,000</u>

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
Remuneration of the Chief Financial Officer		
Annual remuneration	455,757	500,000
Bonus	13,620	
Car allowance	79,680	
Contributions to Medical and Pension Funds	943	
	<u>550,000</u>	<u>500,000</u>
Remuneration of other managers		
30-Jun-2009		
	Corporate Services	Technical Services
Annual remuneration	450,000	279,840
Bonus		
Car allowance		85,800
Contributions to Medical and Pension Funds		84,360
	<u>450,000</u>	<u>450,000</u>
30-Jun-2010		
Annual remuneration	495,000	331,334
Bonus		495,000
Car allowance		85,797
Contributions to Medical and Pension Funds		77,869
	<u>495,000</u>	<u>495,000</u>
<b>24 REMUNERATION OF COUNCILLORS</b>		
Mayor	572,109	534,681
Deputy Mayor	254,873	238,199
Speaker	254,873	238,199
Executive committee members	479,221	447,870
Councillors	2,388,937	2,201,108
	<u>3,950,012</u>	<u>3,660,057</u>
In - kind benefits		
The Mayor has use of a Council owned vehicle as well as an office for official duties		
<b>25 INTEREST PAID</b>		
External loans	2,647,914	2,335,911
Finance leases		
	<u>2,647,914</u>	<u>2,335,911</u>
<b>26 PRIOR PERIOD ERRORS</b>		
Restatement of Expenditure iro 2008/09 during 2010	-	-
Depreciation		(64,369)
Amortisation of Intangible Assets		64,369
Restatement of Property, Plant and Equipment and Intangible Assets iro 2008/09 during 2010		(225,921)
Property Plant and Equipment		225,921
<b>27 GRANTS AND SUBSIDIES PAID</b>		
There were no grants and subsidies paid by the municipality.	-	-
<b>28 GENERAL EXPENSES</b>		
There were no Extraordinary and/or unforeseen expenses		

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
<b>29 CASH GENERATED BY OPERATIONS</b>		
Surplus (deficit ) for the year	19,635,865	9,967,220
Deficit - Housing operating account	(72,383)	(24,002)
Adjustment for :		
Prior year		
Depreciation	5,990,087	2,913,980
Reversal of Water Debtors	(5,484,835)	
Contributions to provisions- non-current		
Contributions to provisions - current		
Contributions to bad debt provision		
Investment income	(307,918)	(560,761)
Interest paid	2,647,914	2,335,911
Operating deficit before working capital changes	22,408,730	14,632,348
(Increase) decrease in consumer debtors	(6,786,121)	(10,276,180)
(Increase) decrease in other debtors	(611,283)	2,999,788
(Increase) decrease in VAT debtor	31,701	299,582
Increase (decrease ) in conditional grants and receipts	1,949,171	(109,992)
Increase (decrease ) in creditors	(693,369)	3,004,236
(Increase) decrease in current portion of long term debtors	(4,570)	(9,653)
	<u>16,294,259</u>	<u>10,540,129</u>

**30 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following amounts:

Bank balances and cash	2,346	2,345
Cash on Hand	720,106	110,629
	<u>722,452</u>	<u>112,974</u>

**31 RELATED PARTY TRANSACTIONS**

31.1 The wife of Councillor M.J. Mkhize has an interest in Silver Stars, the service provider performing the grass cutting function in New Hanover and catering 426,161

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**32 32.1 Contributions to organised local government**

Opening balance		
Council contributions	-	82,502
Amount paid - current year	-	82,502
Amount paid - previous years		
Balance unpaid ( included in creditors )	-	-

**32.2 Audit fees**

Opening balance		
Current year audit fee		
Amount paid current year	566,067	737,728
Amount paid - previous years		
Balance unpaid ( included in creditors )		-

**32.3 VAT**

Opening balance	240,973	1,826,984
Current year output VAT	(989,879)	(1,861,689)
Current year input VAT	3,279,010	3,309,896
Amount paid - current year		
Amount refunded by SARS - current	(2,302,549)	(3,034,218)
Amount due by SARS - included in debtors	<u>227,554</u>	<u>240,973</u>

All VAT returns have been submitted by the due date.



**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
<b>32.4 PAYE and UIF</b>		
Opening balance		
Current year payroll deductions and Council UIF contributions	2,924,828	2,177,842
Amount paid - current year	2,924,828	2,177,842
Amount paid - previous years		
Balance unpaid ( included in creditors )	-	-
<b>32.5 Pension and medical aid deductions</b>		
Opening balance		
Current year payroll deductions and Council contributions	3,668,815	3,260,237
Amount paid - current year	3,668,815	3,260,237
Amount paid - previous years		
Balance unpaid ( included in creditors )	-	-
<b>32.6 Councillors arrear consumer accounts</b>		
No Councillors had arrear accounts outstanding for more than 90 days as at :		
30 June 2008	Total	Outstanding less than 90 days      Outstanding more than 90 days
	-	-
30 June 2009	Total	Outstanding less than 90 days      Outstanding more than 90 days
	-	-
<b>32.7 General Expenses: Detail</b>		
Advertisements	126,285.69	160,539.28
Audit Fee: External	566,066.85	737,727.72
Bank Charges	41,166.12	48,658.55
Chemicals and Oil Dispersants	1,707.80	269.08
Communication: Budget Process	900.00	621,959.56
Conditional Grant Expenditure	-	-
Conferences & Seminars	85,603.53	65,744.61
Consulting Fees	-	474,680.29
Crime Prevention	28,936.50	
Entertainment	5,371.73	38,338.06
Environmental Management Plan	-	-
FBS & FBE	688,523.83	566,302.04
Fuel and Lubricants	-	11,911.13
HIV/AIDS	-	638,161.82
Hospitality	24,115.39	50,586.59
Housing Plan	13,064.02	124,239.64
IDP Review	99,222.78	201,971.64
Information Technology	495,810.06	521,513.07
Institutional Plan	-	-
Insurance	233,562.29	187,081.58
Internal Audit	-	152,100.00
Land Use Management Systems	-	-
Law Enforcement	38,357.92	42,011.73
Leave Provision	-	-
LED Projects	288,169.34	1,226,229.54
Legal Expenses/Bylaws	475,394.49	352,126.67
Levy: Research	1,317.00	9,940.43
Licences	-	171.00
Lost Books	879.11	130.53
Machinery Costs	20,305.24	18,001.55
Materials	114,539.92	175,911.36
Medical Supplies	30,915.06	22,403.37
Office Equipment	2,261.23	2,931.79
Pauper Burials	70,983.26	58,876.91
Plant Hire	18,972.10	35,673.43
PMS Review	-	105,870.82
Postage & Stamps	96,641.43	56,766.69
Printing and Stationery	423,099	343,778
Project Hand Overs		28,367
Purchases: Electricity	560,723	487,935
Purchases: Water	109	1,858
Refreshments	93,696	77,967
Refuse Removal	1,066,833	583,578
Rental: Copiers	516,909	405,268
Road Signs	1,683	15,799
Sector Plans		-
Security	1,291,829	1,432,673
Small Scale Disasters	14,896	19,496
Social Empowerment	148,526	123,922
Spatial Development Framework		-
Special Projects	4,000	1,033,707

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
Sports Promotion	436,036	294,962
Subscriptions	10,397	116,041
Subsistence and Travelling	541,809	1,306,553
Sundries	10,371	15,679
Telephones	1,077,303	1,059,530
Tools	1,356	3,081
Town Planning	54,383	101,313
Training	16,573	387,241
Transport/Vehicle Cost	757,433	1,220,319
Valuation Fees	163,647	489,153
Ward Committees	101,755	250,554
Water Quality Monitoring	2,822	-
Workmans Compensation	14,473	10,645
Youth Desk	104,698	52,420
	<b>10,984,432</b>	<b>16,570,670</b>

**33 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

- approved and contracted for		
Infrastructure	4,000,000	4,261,073
Land and buildings		
Refuse disposal site		
Taxi rank		
Community	-	725,712
Vehicles and equipment		
- approved but not yet contracted for		
Infrastructure	9,200,000	10,400,000
Land and buildings	1,580,000	
Taxi rank		
Refuse disposal site		
Community	9,450,000	5,981,336
Vehicles and equipment		

<b>24,230,000</b>	<b>21,368,121</b>
This expenditure will be financed from	
- capital replacement reserve	3,730,000
- government grants	20,500,000
- external loans	-
	<b>24,230,000</b>
	<b>21,368,121</b>

**34 RETIREMENT BENEFIT INFORMATION**

Certain Councillors and Certain employees belong to defined benefit plan of the Natal Joint Superannuation and Retirement funds, and the Municipal Councillors' Pension Fund. Employees of uMshwathi make up less 1 % of the total members of the funds. uMshwathi's liability in these funds could not be determined owing mainly to the the assets not being allocated to each Municipality and one set of financials being prepared for each fund and not per municipality. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2005.

Current Year's Contribution	3,668,815	3,260,237
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**34.1 SUPERANNUATION FUND**

The actuarial value of total assets was R121,7 million more than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

- 34.1.1. surplus of R 210 million in respect of pensioners (funding level 119,4%)
- 34.1.2. deficit of R 88,3 million in respect of members (funding level 95 %)
- 34.1.3. the fund was thus 104,3% funded
- 34.1.4. the fund did not hold an investment reserve.
- 34.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of member's pensionable emoluments
- 34.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit. This surcharge will reduce to 4,5 per cent with effect from 1 July 2007.

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

2010

2009

**34.2 RETIREMENT FUND**

The actuarial value of total assets was R140,9 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

- 34.2.1. surplus of R63,4 million in respect of pensioners (funding level 116,2%)
- 34.2.2. deficit of R204,3 million in respect of members (funding level 73,0%)
- 34.2.3. the fund was thus 87,7% funded
- 34.2.4. the fund did not hold an investment reserve
- 34.2.5. the total contribution rate payable (including the surcharge of 14% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,59% of members pensionable emoluments. This should be sufficient to eliminate the deficit by 2010 provided that salary increases do not exceed CPIX plus 0,5 %.

**35 CONTINGENT LIABILITIES**

There are no contingent liabilities

**36 IRREGULAR EXPENDITURE**

The due SCM process was not followed in the appointment of the IT consultant. The consultant was initially appointed to assist in an emergency and his appointment to provide IT services on an on-going basis was motivated by the former chief financial officer.

-	-
-	498,415

Three quotations were not obtained for the following expenditure:

Transport: Hlongwane Taxis	3,900
Training: Endless Horizon	2,734
Accommodation: Protea Hotels	2,730
Entertainment: Mayibuye Ma Africa	2,000
Transport: S.S. Zondi	8,500
Entertainment: Faith Shares Music Reunion	5,000
Catering: Albert Falls Guest Lodge	6,106
	29,970
<b>Total</b>	<b>528,385</b>

Note 37

Reconciliation of Actual and Budget Information

Details	Original Budget	Adjustments (S 28)	Final Budget	Actual	Unauthorised Expenditure	Variance	Actual as % of Final Budget	Actual as % of Original Budget
<b>Revenue</b>								
Property Rates	11,078,796.00	-250,000.00	10,828,796.00	10,940,607.00		111,811.00	101.03%	98.75%
Service Charges	1,400,000.00		1,400,000.00	1,403,434.00		3,434.00	100.25%	100.25%
Investment Revenue	500,000.00	-250,000.00	250,000.00	307,918.00		57,918.00	123.17%	61.58%
Grants: Operational	35,084,000.00	1,375,000.00	36,459,000.00	31,731,643.00		-4,727,357.00	87.03%	90.44%
Other Revenue	7,254,500.00	-933,500.00	6,321,000.00	7,778,878.00		1,457,878.00	123.06%	107.23%
	<b>55,317,296.00</b>	<b>-58,500.00</b>	<b>55,258,796.00</b>	<b>52,162,480.00</b>	<b>0.00</b>	<b>-3,096,316.00</b>	<b>5.35</b>	<b>4.58</b>
<b>Expenditure</b>								
Employee Costs	22,661,542.00		22,661,542.00	21,605,588.00		-1,055,954.00	95.34%	95.34%
Councillor Allowances	4,212,600.00		4,212,600.00	3,950,012.00		-262,588.00	93.77%	93.77%
Depreciation	1,750,000.00	3,366,000.00	5,116,000.00	6,064,456.00		948,456.00	118.54%	346.54%
Interest Paid	1,500,000.00	600,000.00	2,100,000.00	2,647,914.00		547,914.00	126.09%	176.53%
Repairs and Maintenance	6,356,000.00	-1,558,500.00	4,797,500.00	3,447,577.00		-1,349,923.00	71.86%	54.24%
Other Expenditure	18,837,000.00	-2,466,000.00	16,371,000.00	11,627,522.00		-4,743,478.00	71.03%	61.73%
	<b>55,317,142.00</b>	<b>-58,500.00</b>	<b>55,258,642.00</b>	<b>49,343,069.00</b>	<b>0.00</b>	<b>-5,915,573.00</b>	<b>5.77</b>	<b>8.28</b>

Surplus/Deficit

154.00      0.00      154.00      2,819,411.00      0.00      2,819,257.00

Capital Recognised

16,840,132.00 Budgeted Surplus      154.00  
19,659,543.00

APPENDIX A  
uMSHWATHI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2010

EXTERNAL LOANS	Loan Number	Interest rate	Redeemable	Balance at 2009/06/30	Received during the year	Redeemed or written off during the year	Balance at 2010/06/30	Carrying value of property plant & equip.
				R	R	R	R	R
ANNUITY LOAN								
FIRST NATIONAL BANK		Prime less 1,00 %	2018/03/31	5,335,935	5,000,000	410,592	9,925,343	
DEVELOPMENT BANK		9,4 %		18,698,989	0	659,577	18,039,413	
<b>TOTAL EXTERNAL LOANS</b>				<b>24,034,924</b>	<b>5,000,000</b>	<b>1,070,169</b>	<b>27,964,756</b>	<b>0</b>

**APPENDIX B**  
**uIMSHWATHI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2010**

	Opening Balance	Additions	Cost/ Revaluation Under Construction	Disposals	Closing Balance	Opening Balance	Accumulated Depreciation Additions	Closing Balance	Carrying Value	Budget Additions 2010
<b>Land and Buildings</b>										
Land	12,274,086	179,008			12,453,094	825,953		825,953	11,627,141	750,000
Buildings	32,898,630	2,059,094	1,174,143		36,131,867	3,231,748	793,432	4,025,180	32,106,688	3,420,000
Dams and boreholes	0				0	0		0	0	0
	<u>45,172,716</u>	<u>2,238,102</u>	<u>1,174,143</u>	<u>0</u>	<u>48,584,962</u>	<u>4,057,701</u>	<u>793,432</u>	<u>4,851,133</u>	<u>43,733,829</u>	<u>4,170,000</u>
<b>Infrastructure</b>										
Water reticulation	5,900	6,763	3,609,503		3,622,166	0		0	3,622,166	8,814,000
Sewer reticulation	0				0	0		0	0	0
Construction works	38,395,473	12,047,738	202,034		50,645,245	11,878,171	4,462,320	16,340,491	34,304,754	22,950,000
	<u>38,401,373</u>	<u>12,054,502</u>	<u>3,811,536</u>	<u>0</u>	<u>54,267,411</u>	<u>11,878,171</u>	<u>4,462,320</u>	<u>16,340,491</u>	<u>37,926,920</u>	<u>31,764,000</u>
<b>Other Assets</b>										
Office and computer equipment	456,809				456,809	484,107	370,802	854,909	-398,100	750,000
Furniture and fittings	1,338,481				1,338,481	498,317		498,317	840,164	0
Tools	71,889				71,889	64,968		64,968	6,921	0
Motor vehicles and major equipment	3,296,223				3,296,223	1,761,148	263,971	2,025,119	1,271,104	0
Machinery	429,539				429,539	229,276		229,276	200,263	250,000
Air conditioners	138,920				138,920	76,198		76,198	62,722	0
Other	138,018				138,018	37,722	99,562	137,284	734	0
	<u>5,869,879</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,869,879</u>	<u>3,151,736</u>	<u>734,335</u>	<u>3,886,071</u>	<u>1,983,808</u>	<u>1,000,000</u>
<b>Total</b>	<u>89,443,968</u>	<u>14,292,604</u>	<u>4,985,680</u>	<u>0</u>	<u>108,722,252</u>	<u>19,087,608</u>	<u>5,990,087</u>	<u>25,077,695</u>	<u>83,644,557</u>	<u>36,934,000</u>

# APPENDIX C

## UMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2010

	Opening Balance	Additions	Cost/ Revaluation Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Accumulated Depreciation Disposals	Closing Balance	Carrying Value
Executive and Council	13,477,592	484,937			13,962,529	1,209,770			1,209,770	12,752,759
Finance and Admin	18,158,112				18,158,112	3,912,376	370,802		4,283,178	13,874,934
Health	72,820				72,820	72,819			72,819	1
Community & Social Services	14,288,915	1,759,928	4,783,646		20,832,490	2,406,807	795,686		3,202,493	17,629,997
Public Safety	852,806				852,806	455,777	71,263		527,040	325,766
Waste Management	675,729				675,729	82,806			82,806	592,923
Road Transport	40,776,246	12,047,738	202,034		53,026,018	10,102,600	4,462,320		14,564,920	38,461,098
Water	0				0	0			0	0
Other	1,141,748				1,141,748	844,653	290,015		1,134,668	7,080
	<b>89,443,968</b>	<b>14,292,604</b>	<b>4,985,680</b>	<b>0</b>	<b>108,722,252</b>	<b>19,087,608</b>	<b>5,990,087</b>	<b>0</b>	<b>25,077,695</b>	<b>83,644,557</b>

# APPENDIX D

## uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

<u>2009</u>	<u>2009</u>	<u>2009</u>		<u>2010</u>	<u>2010</u>	<u>2010</u>
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
46,422,505	32,291,782	14,130,723	Executive and Council	60,607,922	28,991,884	31,616,039
45,552	10,272,451	(10,226,899)	Finance and Admin	4,857,042	22,063,964	(17,206,923)
		-	Planning and Development			-
	275,634	(275,634)	Health		718,556	(718,556)
27,309	167,556	(140,247)	Community & Social Services	1,761,333	4,084,641	(2,323,308)
		-	Housing			-
185,505	427,305	(241,800)	Public Safety	183,213	1,478,387	(1,295,174)
		-	Sport and Recreation			-
		-	Environmental Protection			-
1,345,547	597,944	747,603	Waste Management	1,403,434	2,025,602	(622,167)
8,097,906	1,991,600	6,106,306	Road Transport	16,897,442	6,711,487	10,185,955
		-	Water			-
1,587,816	1,720,648	(132,832)	Other	-	-	-
0	0	-				
<b>57,712,140</b>	<b>47,744,920</b>	<b>9,967,220</b>	<b>Sub - total</b>	<b>85,710,386</b>	<b>66,074,521</b>	<b>19,635,866</b>
			Less : Inter departmental charges			
<b>57,712,140</b>	<b>47,744,920</b>	<b>9,967,220</b>		<b>85,710,386</b>	<b>66,074,521</b>	<b>19,635,866</b>



**APPENDIX E (1)**  
**UMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET ( REVENUE AND EXPENDITURE ) FOR THE YEAR ENDED 30 JUNE 2010**

REVENUE	2010 Actual R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation of significant variances
Property rates	10,940,607	10,828,796	111,811	1	
Property rates - penalties imposed and collection charges	904,997	800,000	104,997	13	This is mainly due to the increase in rates debtors
Service charges	1,403,434	1,400,000	3,434	0	
Rental of facilities and equipment	155,469	200,000	(44,531)	(22)	All properties were not rented out and the income from rentals was overbudgeted
Interest earned - external investments	307,918	250,000	57,918	23	This was due to the fluctuations in the interest rates.
Interest earned - outstanding debtors	4,513,865	3,250,000	1,263,865	39	The large increase is due to the increase in debtors.
Fires	183,213	400,000	(216,787)	(54)	This is as result of non payment of traffic fines. Initiatives have been taken to recover outstanding fines
Licences and permits			0		
Income for agency services	1,744,592	1,500,000	244,592	16	The increase is mainly due to increased in take of learner licences
Government grants and subsidies	31,731,643	36,459,000	(4,727,357)	(13)	A portion of the equitable share was held back to re-imburse unspent grants
Other income	276,742	171,000.00	105,742	(62)	
MIG Funds	16,840,132	-	-	-	
Gain on disposal of property, plant and equipment	-	-	-	-	
<b>Total Revenue</b>	<b>69,002,613</b>	<b>55,258,796</b>	<b>(3,096,316)</b>	<b>(6)</b>	
<b>EXPENDITURE</b>					
Employee related costs	21,605,588	22,661,542	(1,055,954)	(5)	All budgeted posts were not filled.
Remuneration of Councillors	3,950,012	4,212,600	(262,588)	(6)	The approved increase was lower than budgeted for.
Bad debts			-		
Collection costs	399,203	150,000	249,203	166	The increase is due to stricter steps being taken to collect outstanding debt.
Amortisation of Intangible Assets	64,369				
Depreciation	5,990,087	5,116,000	874,087	17	The budget for depreciation was under budgeted
Repairs and maintenance	3,447,577	4,797,500	(1,349,923)	(28)	Certain expenditure that was budgeted for was not carried out.
Interest paid	2,647,914	2,100,000	547,914	26	The budget for Interest and Redemption was under budgeted
Bulk purchases			-		
Contracted services	253,888	400,000	(146,112)	(37)	Attempts were made to reduce the use of consultants.
Grants and subsidies paid			-		
General expenses	11,008,110	15,771,000	(4,762,890)	(30)	Certain expenditure that was budgeted for were not incurred.
Contribution to Reserves	0	50,000	(50,000)	(100)	There was no need to increase the leave reserve.
<b>Total Expenditure</b>	<b>49,366,747</b>	<b>55,258,642</b>	<b>(5,956,263)</b>	<b>(11)</b>	
<b>Surplus (Deficit) for the year</b>	<b>19,635,866</b>	<b>154</b>	<b>2,859,948</b>		

# APPENDIX E ( 2 )

## UMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual	2010 Under Construction	2010 Total Additions	2010 Budget	2010 Variance	2010 Variance	Explanation of significant variances
	R	R	R	R	R	%	
Infrastructure	6,763	3,609,503	3,616,266	8,814,000	(5,197,734)		Approved DoE Funding was only made available towards the latter part of the year.
Construction works	12,047,738	202,034	12,249,772	22,950,000	(10,700,228)		(47) MIG Funding for certain projects for D 1017 was from the
Community Assets	12,054,501	3,811,537	15,866,038	31,764,000	-15,897,962		(50) District and the asset is that of the province thus not capitalised by the municipality.
Land	179,008	0	179,008	750,000	(570,992)		
Buildings	2,059,094	1,174,143	3,233,237	3,420,000	(186,763)	(5)	
Other Assets	2,238,102	1,174,143	3,412,245	4,170,000	-757,755	(18)	
Office and accounting machines	0	0	0	750,000	(750,000)		Due to cash flow constraints computers were not replaced
Furniture and fittings	0	0	0	0	-		
Radios	0	0	0	0	-		
Machinery	0	0	0	250,000	(250,000)		Due to cash flow constraints certain machinery was not replaced.
Tools	0	0	0	0	-		
Air conditioners	0	0	0	0	-		
Vehicles	0	0	0	0	-		
Other	0	0	0	0	-		
	0	0	0	1,000,000	(1,000,000)	(100)	
<b>Total</b>	<b>14,292,603</b>	<b>4,985,680</b>	<b>19,278,283</b>	<b>36,934,000</b>	<b>(17,655,717)</b>	<b>(48)</b>	

APPENDIX F										
UMSHWATHI LOCAL MUNICIPALITY - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003										
Description	Name of organ of State	Unspent balance at 1 July 2009	Received 2009/2010	Expenditure 2009/2010	Transfer 2009/2010	Unspent balance at 30 June 2010	Grants delayed/ withheld	Reason for delaying/ withholding funds	Compliance with grant conditions	Reason for non-compliance
		R	R	R	R	R	R		YES/NO	
MIG		3,509,596	17,555,000	(16,840,132)	-1,330,000	2,894,463			YES	
GRANTS - GENERAL		58,025				58,025			YES	
CMIP ROADS		0				0			YES	
CMIP - CEMETERY		0				0			YES	
CMIP - OFFICES		0				0			YES	
BASIC SERVICES		0				0			YES	
TRANSITIONAL GRANT		0				0			YES	
CMIP - OFFICES		0				0			YES	
MSIG		0				0			YES	
DISTRICT COUNCIL		0				0			YES	
INDIGENT SUPPORT		0				0			YES	
MAP		104,280		(104,280)		0			YES	
CCI		0				0			YES	
TOURISM		0				0			YES	
FMG		0				0			YES	
MSIG		0	500,000	(241,373)		258,627			YES	
HOUSING PLAN		0	78,301	(11,400)		66,901			YES	
DPLG		236,638	22,000	(258,638)		0			YES	
PROPERTY RATES		0				0			YES	
MFMA		0				0			YES	
INTER DEPARTMENTAL		0				0			YES	
CDW		0				0			YES	
PLANNING		0				0			YES	
REGIONAL COUNCIL - CRECHE		0				0			YES	
REGIONAL COUNCIL - CEMETERY		0				0			YES	
REGIONAL COUNCIL - TAXI RANK		0				0			YES	
LED		0				0			YES	
FINANCE MANAGEMENT		1,319,649	1,500,000	(2,818,649)		0			YES	
COMMUNITY PARTICIPATION		0				0			YES	
		5,227,188	19,655,901	(20,274,472)	-1,330,000	3,278,017				